

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 SCEM-02 INT-08 OEP-01 FPC-01 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

SS-15 NSC-10 DOTE-00 AGR-20 RSR-01 L-03 H-02 PRS-01

PA-03 USIA-12 /165 W

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC 9340

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMEMBASSY NEW DELHI

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E. O. 11652: N/ A

TAGS: ENRG BGEN BT

SUBJ: FUEL CRISIS IN BANGLADESH

REF: DACCA A-18 3/6/73 (NOTAL)

SUMMARY: CURRENT FUEL CRISIS, WHOSE IMMEDIATE CAUSE IS SHUTTING DOWN OF COUNTRY' S SOLE REFINERY FOR LACK OF CRUDE OIL, HAVING SERIOUS ADVERSE EFFECT ON VARIOUS VITAL SEGMENTS ECONOMY AND PRODUCING OUTCRY FROM MASSES WHO CANNOT GET ENOUGH KEROSENE TO COOK WITH. FUEL SHORTAGE ALSO PRODUCING USUAL CYCLE OF CONSIDERED HOARDING BY MERCHANTS, PANIC BUYING BY END- USERS, AND ESCALATING PRICES. HOWEVER, RESUMED CRUDE OIL SUPPLY AND REFINED POL IMPORTS SHOULD DAMPEN IF NOT ELIMINATE CRISIS DURING SHORT RUN. END SUMMARY.

1. BACKGROUND: BANGLADESH HAS ENDURED SERIES OF MINI- FUEL CRISES OVER PAST HALF- YEAR OR SO, BUT NONE HAVE BEEN SO SERIOUS AS CURRENT ONE WHICH HAD LED, INTER ALIA, TO POWER CUTOFFS, CLOSING DOWN LIMITED OFFICIAL USE

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FACTORIES, DISRUPTION PORT OPERATIONS AND FOOD DISTRIBUTION, STOPPING LOW- LIFT PUMPS VITAL TO AGRICULTURE, CURTAILMENT PUBLIC TRANSPORTATION INCLUDING DIESEL BUSES, TRUCKS AND FERRIES, NON-AVAILABILITY GASOLINE FOR PRIVATE VEHICLES IN SOME AREAS, AND DEPRIVATION BENGALEE MASSES OF KEROSENE NECESSARY FOR COOKING. IMMEDIATE BUT NOT ONLY CAUSE OF CURRENT CRISIS IS SHUTTING DOWN OF COUNTRY' S SOLE REFINERY, EASTERN REFINERY, (ER), AT CHITTAGONG ON MARCH 27, OWING LACK OF CRUDE OIL. ER SUPPLIES ROUGHLY 2/3 RDS COUNTRY' S POL REQUIREMENTS.

3. GOVERNMENTAL, PRIVATE AND PRESS CIRCLES HAVE BEEN DEEPLY CONCERNED ABOUT THIS DEVELOPMENT. IT DIFFICULT, HOWEVER, PIN BLAME ON ANY SINGLE PERSON OR AGENCY SINCE SO MANY COOKS HAVE CONTRIBUTED THEIR SHARE TO THIS PARTICULAR BROTH. FOR EXAMPLE, NAPHTHA (WHICH ORDINARILY SURPLUS ER PRODUCT AND WHICH NECESSARY FOR POWER STATIONS SUCH AS GOALPARA AT KHULNA) NOT REACHING ITS INLAND DESTINATIONS DUE, IN PART, TO PREEMPTION TRANSPORT FOR FOOD SHIPMENTS AND LACK OF DIESEL FUEL FOR OTHER AVAILABLE TRANSPORT. MOREOVER, REPORTS OF SCARCITIES HAVE GENERATED EMERGENCY BUYING AND FUEL GOING UNDERGROUND TO BE SOLD LATER WHEN PRICES ESCALATE FURTHER.

4. PRESS FORECASTS, PERHAPS APOCALYPTICALLY, THAT CHITTAGONG PORT - WHICH HAS LARGE NUMBER GRAIN VESSELS AWAITING OFF- LOADING - MAY COME TO STANDSTILL SINCE DIESEL AND GASOLINE SUPPLIES EXHAUSTED. NOTES SEVERAL PILOT BOATS UNABLE MOVE FOR LACK BUNKER FUEL. FOREIGN SHIPS CALLING AT BD PORTS SEEKING BUNKERS ELSEWHERE.

5. SOME RELIEF IN SIGHT: TRADESOURCE INFORMS US THAT REFINERY WILL RESUME PRODUCTION APRIL 15, BY WHICH TIME IT SHOULD HAVE CRUDE SUFFICIENT FOR ONE MONTH' S RUN, I. E., ABOUT 100,000 TONS. (76,000 TONS CRUDE IN 3 VESSELS, INCLUDING ABOUT 20,000 TONS FROM ESSO, HAVE EITHER ARRIVED OR ARE ABOUT TO DO SO AT CHITTAGONG. ER HAS ANOTHER 20,000 PLUS TONS ALREADY ON HAND). THERE IS ALSO UNCONFIRMED REPORT THAT BDG HAS LINED UP ANOTHER FOUR MONTH' S SUPPLY OF CRUDE WHICH, IF TRUE, SHOULD SUFFICE UNTIL ER' S ANNUAL SHUTDOWN FOR " TURN- AROUND", NOW SLATED FOR SEPTEMBER- OCTOBER. IT UNCLEAR FROM WHOM ER WILL BE RECEIVING ALL THIS CRUDE, BUT INDIAN OIL COMPANY. REMAINS TO BE SEEN WHETHER PRESENT CRISIS WILL PROMPT BDG CIRCLES TAKE EFFECTIVE REMEDIAL ACTION RATHER THAN MERE STOPGAP EFFORT. NEWBERRY

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